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STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

IP 2005(30)

INFORMATIONAL PUBLICATION

Paying Connecticut Taxes by Electronic Funds Transfer

Purpose: This Informational Publication explains the requirement for paying taxes electronically with the Department of Revenue Services (DRS).

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-685 to 12-689, inclusive; Conn. Agencies Regs. §§12-689-1 to 12-689-4, inclusive.

1. What is an electronic funds transfer?

Electronic Funds Transfer (EFT) is an electronic method of making a payment. An EFT is handled through the Automated Clearing House System (ACH), a nationwide network that electronically transfers funds.

2. Who must pay by EFT?

Taxpayers whose prior year liability for a particular tax exceeded \$10,000 for the 12-month period ending the preceding June 30 for monthly and quarterly tax liabilities or for the preceding taxable year for annual tax liabilities, and who are notified by DRS to pay that tax by EFT, must pay the tax by EFT.

3. Will I always be required to pay that tax by EFT?

No. Each year DRS reviews your prior year liability for a particular tax. You will be notified by DRS if you are no longer required to pay that tax by EFT, but you must continue to pay by EFT until DRS notifies you that you no longer are required to do so.

4. How do I pay my taxes by EFT?

You may use one of two methods to pay your taxes by EFT:

- ACH debit method (direct payment); **or**
- ACH credit method.

You make direct payments using *Fast-File* on the DRS Web site at www.ct.gov/DRS

5. What is *Fast-File*?

Fast-File is a quick, secure, easy way to electronically file a *Fast-File* eligible tax return and pay the tax due, or to initiate a payment-only transaction. *Fast-File* is free of charge and is available anytime. For a list of *Fast-File* eligible returns, see Question 22.

Fast-File payment-only transactions can be made for all EFT eligible tax types. You may access *Fast-File* by the Internet at www.ct.gov/DRS or by telephone at 860-947-1988.

6. How does the direct payment method work?

With the direct payment method using *Fast-File*, you provide your banking information and authorize DRS to initiate the EFT by providing the amount of the payment and the date of transfer.

7. How does the ACH credit method work?

With the ACH credit method, you (**not** DRS) initiate the EFT through your bank. In coordination with your bank, you format your payment, your Connecticut tax registration number, the tax type, and the tax return filing period. You must ensure your bank can perform its part of the transaction using the ACH standard CCD+TXP format; otherwise, you must use the ACH debit method.

8. What are the advantages of the direct payment method?

Direct payment transactions can be error-free when sent to the banking system because extensive editing and data correction are performed before the EFT is initiated. When using *Fast-File*, you are given a confirmation number to verify your tax return has been filed. If you file by the Internet, a requested payment date indicates that the payment has been successfully initiated. Additionally, you can print a copy of your return for your records.

9. Does DRS recommend a payment method?

DRS recommends the *Fast-File* direct payment method. *Fast-File* allows you to simultaneously *Fast-File* eligible tax returns and pay your taxes electronically. For other taxes, we recommend the *Fast-File* payment-only transaction. Direct payment transactions are virtually error free and generally less costly to you.

10. If I authorize DRS to debit my account to pay my taxes, will DRS have access to my bank account for any other purpose?

No. DRS will not have access to your account for any other purpose. You must initiate any payments. The use of passwords ensures that only you can authorize the transfer of funds from your bank account to the DRS bank account and the funds are applied to the proper tax account.

11. May I use other EFT methods besides the direct payment and ACH credit methods?

No.

12. May I change my EFT method at any time?

Yes.

13. May I make payments using EFT even though I am not required to do so?

Yes. DRS encourages taxpayers to use *Fast-File*. If you voluntarily use the DRS *Fast-File* system, you do not have to pre-register or to notify DRS of your intent to use *Fast-File*. If you choose the ACH credit method, see Question 14.

14. How do I register for EFT?

There is no pre-registration required to use the *Fast-File* direct payment method. You simply log into *Fast-File* on the DRS Web site to initiate direct payments or to file returns electronically.

If you choose to initiate an ACH credit payment through your financial institution, you must submit form **EFT-1**, *Authorization Agreement for Electronic Funds Transfer*. See *Forms and Publications* on Page 5.

15. What are the due dates for paying by EFT?

If you are required to pay a tax (other than withholding tax) by EFT, the DRS bank account must be credited for the amount of your payment on or before the due date.

If you are required to pay Connecticut withholding tax by EFT, the DRS bank account must be credited for the amount of your payment on or before the next business day following the due date.

16. When is the payment due if the due date falls on a weekend or legal holiday?

If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date. For a direct payment, you must initiate the EFT no later than 4:30 p.m. eastern time on the last banking day prior to the weekend or holiday. For an ACH credit transaction, contact your bank for information. Legal holidays are New Year's Day, Martin Luther King Day, Lincoln's Birthday, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas. For this year's holiday schedule, go to www.ct.gov/DRS and click on Electronic Services. Then choose the Electronic Funds Transfer page.

17. How do I ensure my payment is timely?

If you are required to pay electronically and are using *Fast-File*, you must initiate your transaction no later than 4:30 p.m. eastern time on the last banking day prior to the due date. For example, if the due date of the return is Monday, you must initiate the transaction no later than 4:30 p.m. eastern time on the preceding Friday (assuming Friday is a banking day). If you use the ACH credit method, consult your financial institution for information.

18. How do I prove I made a timely direct payment transaction?

Your bank account will show a debit on or before the due date.

19. How do I prove I made a timely ACH credit transaction?

You must submit documentation from your bank showing your payment was initiated in time for settlement into the DRS bank account on or before the due date.

20. Is there a penalty for a late EFT?

Yes. The penalty for a late EFT is:

- 2% of an EFT payment not more than 5 days late;
- 5% of an EFT payment more than 5 days but not more than 15 days late; **and**
- 10% of an EFT payment more than 15 days late.

Interest is charged at the rate of 1% per month or fraction of a month from the due date until the date of the payment.

If payment is delayed for reasons beyond your control and you are able to prove to the satisfaction of DRS that you exercised due diligence, the penalty may be waived.

21. If I am required to pay my taxes by EFT, must I electronically file my return?

Yes. All taxpayers required to remit sales and use tax, admissions and dues tax, business use tax, room occupancy tax, and withholding tax by EFT must also file their returns for this tax electronically using *Fast-File*. Payroll service providers can also file state and federal tax and wage reports for withholding tax over the Internet using the Federal/State Employment Taxes program.

However, if you are required to file **Form OS-114 NY/CT, Sales and Use Tax Return**, you may not file this return electronically and must file a paper Form OS-114 NY/CT.

22. What returns can be filed using *Fast-File*?

You may *Fast-File* the following returns on the Internet or by telephone:

- **Form OS-114, Sales and Use Tax Return;**
- **OP-210, Room Occupancy Tax Return;**

- **Form CT-WH, Connecticut Withholding Tax Payment; and**
- **Form CT-941, Connecticut Quarterly Reconciliation of Withholding.**

You may *Fast-File* the following returns on the Internet only:

- **Form CT-945, Connecticut Annual Reconciliation of Withholding for Nonpayroll Amounts;**
 - **Form CT-8109, Connecticut Withholding Tax Payment Form for Nonpayroll Amounts;**
 - **Form OP-424, Business Entity Tax Return;**
 - **Form 472, Attorney Occupational Tax Return;**
 - **OP-336, Nursing Home User Fee;**
 - **CT-1120ES, Estimated Corporation Business Tax; and**
 - **O-372, Admissions and Dues Tax Return.**
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23. If I am required to electronically file, will I still receive paper returns in the mail?

No. DRS no longer mails a pre-printed copy of returns to taxpayers required to electronically file those tax returns. Taxpayers not required to electronically file that wish to electronically file may request that paper returns no longer be mailed to them. Failure to receive a paper return does not relieve you of your obligation to file.

24. When is my tax return due?

If you are required to pay your sales and use taxes or withholding tax by EFT, you must use *Fast-File* to file your tax return electronically. If you initiate a payment of sales and use tax through *Fast-File*, you must complete your filing no later than 4:30 p.m. eastern time on the last banking day prior to the due date. If you do not initiate payment of sales and use tax through *Fast-File*, your tax return is due on or before the due date. If you initiate a payment of withholding tax, you must complete your filing no later than 4:30 p.m. eastern time on the due date. Your withholding return is due at the same time as your withholding tax payment.

For taxes you are not required to file electronically, your return is filed timely if received or if the date shown by the U.S. Post Office cancellation mark is on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

25. May I pay by check if I am required to pay by EFT?

No. Payment by check does not meet your obligation to pay by EFT and subjects you to a 10% penalty, even if the DRS bank account is credited for the payment on or before the due date.

26. If I have a problem initiating a direct payment transaction, whom should I call?

If you have a problem initiating a direct payment, call the DRS Electronic Filing Unit at **860-297-4973** in sufficient time to correct the problem.

27. When are the funds actually withdrawn from my bank account?

For direct payment transactions, you determine the date of withdrawal by the *requested payment date* you enter when you initiate your transfer. You can initiate your transaction up to 30 days in advance. Your payment will not be withdrawn from your account until the date you specify as a requested payment date. For ACH credit transactions, you must contact your financial institution for withdrawal dates.

28. May I make multiple payments by EFT?

Yes. For the direct payment method through *Fast-File*, you can make another payment for the same Connecticut tax registration number after you receive a confirmation number for the transaction you have just completed. Return to the main menu and initiate another payment. If you use the ACH credit method, you initiate multiple payments by EFT through your originating bank.

29. What if an emergency prevents me from making a timely EFT payment using ACH?

You should contact the DRS Electronic Filing Unit immediately for instructions. You may be permitted to make your payment using the Fedwire method. If DRS is not satisfied an emergency exists, your payment by Fedwire will be treated as a late payment.

30. Is it possible to cancel or correct an EFT?

Yes. Contact the DRS Electronic Filing Unit if a payment error is discovered or if you need to cancel a payment made through *Fast-File*. For an ACH credit transaction, follow your bank's instructions.

31. How do I report no tax due?

If you do not owe any tax, an EFT is not required. However, a return must be filed timely even if no payment is due.

32. How am I notified of underpayments?

DRS will send you a bill. All bills provide the name and telephone number of a contact person if you have questions.

33. May I pay bills by EFT?

Yes. You may make bill payments by choosing the *Fast-File* payment only transaction. Payments must be made no later than 4:30 p.m. on the banking day prior to the day you wish to have the money withdrawn from your account.

34. What if I make an overpayment?

If there is an overpayment, you will be notified or the funds will be refunded.

35. May I apply an EFT overpayment to my next return?

Yes. You may request to have the overpayment applied to your next EFT return.

36. Is a penalty imposed for the late filing of a tax return if payment of the tax is timely made?

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report required by law to be filed.

37. Are there exceptions to the requirement to file tax returns?

Yes. **If you are required to pay withholding tax electronically**, your electronic payment eliminates the need to complete and file a paper **Form CT-WH** or paper **Form CT-8109**. Use our *Fast-File* system to file your **Form CT-941** or **Form CT-945** electronically and to pay your withholding tax. Using *Fast-File* eliminates the need to complete and file a paper Form CT-941 or Form CT-945.

However, you may not file Form CT-W3 or Form CT-1096 electronically and must file a paper Form CT-W3 or Form CT-1096.

Taxpayers are not required to mail estimated tax coupons for corporation business tax, insurance premium tax, or health care center tax, when they make those estimated tax payments by EFT. If an additional payment is due with a corporation business tax return, insurance premiums tax return, or health care center tax return or with a request for extension of time to file the return, the payment may be made by check or through a *Fast-File* payment only transaction.

38. What should I do if I overreported or underreported a tax I paid by EFT?

You must amend your tax return in the same manner you would if you did not pay that tax by EFT. You may pay any additional tax due by check or money order with the amended return or you may initiate an EFT payment using the payment only transaction. You cannot file an amended return using *Fast-File*.

39. May my paid preparer or accountant serve as my primary EFT contact person?

Yes. However, remember you are responsible for the timely payment of your taxes even if you designate someone else as your contact person.

40. How do I report changes to my *Fast-File* bank information or to information I provided on the EFT-1?

Changes to your *Fast-File* bank information can be made on the direct payment page when you initiate a payment. Any other changes to your contact information can be made through the administrative functions on the *Fast-File* main menu.

41. How do I report a change in payment methods?

To change from the direct payment method to the ACH credit method, you must submit an EFT-1 to preregister. To change from the ACH credit method to the direct payment method, you do not have to report the change to DRS. Contact the DRS Electronic Filing Unit at **860-297-4973**.

Effect on Other Documents: Information Publication 2004(28), *Paying Connecticut Taxes by Electronic Funds Transfer*, is modified and superseded and may no longer be relied upon.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For More Information on EFT: Call the DRS Electronic Filing Unit at **860-297-4973**, during business hours, Monday through Friday, or email the Electronic Filing Unit at **ct.eft@po.state.ct.us**

Forms and Publications: Forms and publications are available anytime:

- **Internet:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone
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Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic

income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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